DEPARTMENT OF HEALTH & HUMAN SERVICES
Health Care Financing Administration

Center for Medicaid and State Operations
Family and Children=s Health Programs Group
Division of Integrated Health Systems
7500 Security Boulevard
Baltimore, MD 21244-1850

Gail L. Margolis, Deputy Director
Medical Care Services
Department of Health Services
714 P Street, Room 1253
Sacramento, CA 95814

Dear Ms. Margolis:

I am pleased to inform you that the Centers for Medicare and Medicaid Services (CMS) (formerly the Health Care Financing Administration (HCFA)) is approving California's request for a 2-year continuation of its California Orange Prevention and Treatment Integrated Medical Assistance (CalOPTIMA) waiver program authorized under sections 1915(b)(1) and (4) of the Social Security Act (the Act). It allows California to contract with CalOPTIMA to provide the full scope of Medi-Cal benefits to all qualifying Medi-Cal beneficiaries residing in Orange County.

This approval provides for a waiver of the following sections of the Act: 1902(a)(1) - Statewideness; 1902(a)(10)(B) - Comparability of Services, and 1902(a)(23) - Freedom of Choice. We also accept the State's letter dated June 1, 2001 withdrawing its request for a waiver of Sections 1902(a)(13)(A) and 1902(a)(30) of the Act.

I have based my decision on the evidence submitted showing that the program is consistent with the purposes of the Medicaid program, has met statutory and regulatory requirements for access to care and quality of services, and will continue to be a cost-effective means of providing health care services to California's Medicaid population.

California has completed its requirement for the independent assessments for this waiver program's cost effectiveness, access to care, and quality of services, unless significant problems are identified in the future. At this time, CMS can require the State to conduct another independent assessment to assess the situation(s). However, the State will continue to be responsible for documenting the cost-effectiveness, access and quality factors in subsequent renewal requests.

In addition, this approval is contingent on the following conditions:

1. Consistent with the requirements of Section 1902(a)(30)(C) of the Act, the State must ensure that an independent review of the quality of services delivered by each managed care organization is completed on an annual basis. We expect the State to submit to CMS a schedule of CalOPTIMA's future audits documenting that future gaps in reporting do not occur. Please submit the schedule of audits within 6 months from the date of this approval letter.

2. The State will continue to require periodic reports from CalOPTIMA that comprehensively identify the number of children enrolled in Medicaid managed care who are in each of the five specified groups of children with special needs, as defined by the Balanced Budget Act (BBA). The State will identify, or require CalOPTIMA to identify, children in BBA categories 1, 2, 3, and 4 through Medi-Cal program aid code analyses and, if necessary, identify category 5 through manual review. The State will submit these data to CMS on an annual basis.

3. The State will continue to require CalOPTIMA to categorically code and report the number of children that the plan identifies through program linkages and community liaison activities with other entities if the children are identified to be in any one of the five BBA categories and were not previously identified as such.

4. With respect to quality of care, the State will continue to conduct, or require CalOPTIMA to conduct, a study that will stratify its analyses such that outcomes for children in the CalOPTIMA categories are discussed and assessed. Or, the State may perform, or require CalOPTIMA to perform, a quality study that focuses solely on special needs children as defined by the BBA.

5. The State will continue to require CalOPTIMA to manually review member grievances involving children identified by the BBA as having special health care needs. The State will require the plan to report this data to the State on a periodic basis and the State will submit them to CMS on a basis no less than annually.

6. The State, on a basis no less than annually, will provide CMS with data on the number of children who voluntarily change primary care providers within the plan.

7. The State will require that MCOs serving children identified in categories 1-5 of the BBA definition of CSHCN to perform assessments of these children's needs and the implementation of treatment plans, as appropriate, based upon these assessments.

Approval of this waiver renewal covers a period of 2 years, from July 30, 2001 through July 29, 2003. California may request that this authority be renewed and should submit its request for renewal 90 to 120 days in advance of the expiration date.

We appreciate the State's efforts in continuing this program, which provides for accessible, quality and cost-effective health care for Medicaid enrollees, and wish you much success in your continuing activities in this area. If you have any questions, please feel free to contact Linda Minamoto in the CMS San Francisco Regional Office, Division of Medicaid, at (415) 744-3568.

Sincerely,

Michael Fiore
Director

cc: Linda Minamoto, CMS, Region IX
Michele Walker, CMS, Region IX

*The Health Care Financing Administration (HCFA) was renamed to the **Centers for Medicare & Medicaid Services** (CMS). We are exercising fiscal restraint by exhausting our stock of stationery.*